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## **Zhongshen Jianye Holding Limited**

**中深建業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2503)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **FINANCIAL HIGHLIGHTS**

Revenue for the year ended 31 December 2023 amounted to approximately RMB1,530.9 million, representing an increase of approximately 11.1% from approximately RMB1,378.1 million for the year ended 31 December 2022.

Gross profit for the year ended 31 December 2023 amounted to approximately RMB89.1 million, representing an increase of approximately 13.0% from approximately RMB78.9 million for the year ended 31 December 2022.

Profit for the year ended 31 December 2023 amounted to approximately RMB31.8 million, representing an increase of approximately 25.6% from approximately RMB25.3 million for the year ended 31 December 2022.

Net assets as at 31 December 2023 amounted to approximately RMB372.4 million, representing an increase of approximately 13.9% from approximately RMB327.1 million as at 31 December 2022.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongshen Jianye Holding Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 31 December 2023 together with the comparative figures for the preceding year as follows:

## FINANCIAL RESULTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	3	<b>1,530,919</b>	1,378,055
Cost of revenue	4	<u>(1,441,773)</u>	<u>(1,299,130)</u>
<b>Gross profit</b>		<b>89,146</b>	78,925
Administrative expenses	4	(41,210)	(39,069)
Impairment losses on financial assets and contract assets		(146)	(1,254)
Other income, gains/(losses) — net		<u>11</u>	<u>(2)</u>
<b>Operating profit</b>		<u><b>47,801</b></u>	<u>38,600</u>
Finance income		<b>912</b>	148
Finance costs		(2,177)	(486)
Finance costs — net	5	<u>(1,265)</u>	<u>(338)</u>
<b>Profit before income tax</b>		<b>46,536</b>	38,262
Income tax expense	6	<u>(14,722)</u>	<u>(12,937)</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<u><b>31,814</b></u>	<u>25,325</u>
<b>Earnings per share attributable to owners of the Company for the year</b> (expressed in RMB cents per share)			
— Basic and diluted	7	<u><b>8.24</b></u>	<u>6.56</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		42,441	652
Right-of-use assets		1,173	2,337
Intangible assets		9,151	11,246
Deposits and prepayments		305	214
Deferred income tax assets		<u>10,333</u>	<u>10,466</u>
		<u>63,403</u>	<u>24,915</u>
<b>Current assets</b>			
Inventories		362	304
Contract assets	9	1,209,485	1,019,851
Trade and bills receivables	9	157,270	215,383
Deposits, other receivables and prepayments		80,318	108,613
Amounts due from related parties		—	47
Restricted bank deposits		24,738	27,977
Cash and cash equivalents		<u>147,140</u>	<u>112,117</u>
		<u>1,619,313</u>	<u>1,484,292</u>
<b>Total assets</b>		<u><u>1,682,716</u></u>	<u><u>1,509,207</u></u>
<b>EQUITY</b>			
Share capital		9	9
Other reserves		332,631	314,647
Retained earnings		<u>39,784</u>	<u>12,406</u>
<b>Total equity</b>		<u><u>372,424</u></u>	<u><u>327,062</u></u>

		<b>As at 31 December</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		76	1,149
Bank borrowing	<i>11</i>	<u>26,295</u>	<u>—</u>
		<u>26,371</u>	<u>1,149</u>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	1,248,869	1,135,520
Amounts due to related parties		7	11,485
Contract liabilities		21,987	21,917
Bank borrowing	<i>11</i>	2,989	—
Current income tax liabilities		8,914	10,826
Lease liabilities		<u>1,155</u>	<u>1,248</u>
		<u>1,283,921</u>	<u>1,180,996</u>
<b>Total liabilities</b>		<u><u>1,310,292</u></u>	<u><u>1,182,145</u></u>
<b>Total equity and liabilities</b>		<u><u>1,682,716</u></u>	<u><u>1,509,207</u></u>

## NOTES

### 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 February 2021 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the provision of construction services in the People's Republic of China (the "PRC").

Mr. Sang Xianfeng ("Mr. Sang") and Mr. Xian Yurong ("Mr. Xian") are the co-founders of the Group. Mr. Sang is the ultimate controlling shareholder of the Group.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2024 (the "Listing Date").

The consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 27 March 2024.

### 2 BASIS OF PREPARATION AND SELECTED MATERIAL ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The principal accounting policies set out below have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### 2.2 New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for the annual reporting year commencing 1 January 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Initial Application of HKFRS 17 and HKFRS 9	Comparative Information
HKFRS 17	Insurance Contracts and the Related Amendments

The adoption of these new and amended standards disclosed did not have any significant impact on the Group's consolidation financial statements.

### 2.3 New standards and interpretations not yet effective for the financial period beginning on 1 January 2023 and not early adopted by the Group

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

According to the preliminary assessment made by management, no significant impact on the financial performance and financial positions of the Group is expected when these new standards and interpretation become effective.

### 3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers (“**CODM**”) has been identified as the executive directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one operating segment being the provision of construction services.

All revenue was derived from external customers in Chinese Mainland during the years ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, all of the Group's non-current assets were located in the PRC.

## Revenue

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from provision of construction services	<b><u>1,530,919</u></b>	<b><u>1,378,055</u></b>

All of the Group's revenue is recognised over time.

## Revenue from major customers

There was one customer who contributed 10% or more of the Group's total revenue for the year ended 31 December 2023. Revenue from this customer amounted to RMB197,907,000 for the year ended 31 December 2023.

There were four customers who contributed 10% or more of the Group's total revenue for the year ended 31 December 2022. Revenue from these customers amounted to RMB691,494,000 for the year ended 31 December 2022.

## 4 EXPENSES BY NATURE

Expenses included in cost of revenue and administrative expenses are analysed as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	<b>638,525</b>	616,065
Employee benefit expenses and labour subcontracting costs	<b>513,690</b>	432,056
Specialised construction subcontracting costs	<b>176,392</b>	167,627
Equipment and machinery usage costs	<b>120,059</b>	91,541
Design and testing service costs	<b>4,350</b>	4,530
Depreciation and amortisation expenses	<b>3,535</b>	3,465
— Depreciation of property, plant and equipment	<b>167</b>	104
— Depreciation of right-of-use assets	<b>1,273</b>	1,266
— Amortisation of intangible assets	<b>2,095</b>	2,095
Listing expenses	<b>10,099</b>	9,331
Bank charges	<b>1,456</b>	1,248
Insurance expenses	<b>1,503</b>	2,081
Taxes, surcharge and levies	<b>3,098</b>	4,247
Professional fees	<b>787</b>	930
Travelling and entertainment expenses	<b>908</b>	388
Auditors' remuneration	<b>2,250</b>	169
Other expenses	<b><u>6,331</u></b>	<u>4,521</u>
	<b><u>1,482,983</u></b>	<u>1,338,199</u>

## 5 FINANCE COSTS — NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	<u>912</u>	<u>148</u>
Finance costs		
— Interest expense on factoring	(1,918)	(422)
— Interest expense on borrowing	(169)	—
— Interest expense on lease liabilities	<u>(90)</u>	<u>(64)</u>
	<u>(2,177)</u>	<u>(486)</u>
Finance costs — net	<u>(1,265)</u>	<u>(338)</u>

## 6 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	14,589	12,842
Deferred income tax	<u>133</u>	<u>95</u>
	<u>14,722</u>	<u>12,937</u>

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

In the calculation of weighted average number of ordinary shares outstanding during the years ended 31 December 2023 and 2022, the 990,000 shares subdivided and 385,100,000 shares capitalised on 19 December 2023 and 9 January 2024 had been adjusted retrospectively as if those shares had been issued since 1 January 2022.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	31,814	25,325
Weighted average number of ordinary shares in issue	<u>386,100,000</u>	<u>386,100,000</u>
Basic earnings per share (expressed in RMB cents per share)	<u>8.24</u>	<u>6.56</u>

**(b) Diluted earnings per share**

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential shares outstanding as at 31 December 2023 and 2022.

**8 DIVIDENDS**

No dividend has been paid or declared by the Company during the year ended 31 December 2023 (2022: nil).

**9 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES**

**(a) Contract assets**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Unbilled revenue	<b>1,097,905</b>	920,969
Retention monies	<u><b>141,501</b></u>	<u>125,757</u>
	<u><b>1,239,406</b></u>	<u>1,046,726</u>
Less: provision for impairment of contract assets	<u><b>(29,921)</b></u>	<u>(26,875)</u>
	<u><b>1,209,485</b></u>	<u>1,019,851</u>

**(b) Trade and bills receivables**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b>140,719</b>	193,348
Less: allowance for impairment of trade receivables	<u><b>(3,449)</b></u>	<u>(5,974)</u>
Trade receivables — net	<u><b>137,270</b></u>	<u>187,374</u>
Bills receivables	<u><b>20,000</b></u>	<u>28,009</u>
	<u><b>157,270</b></u>	<u>215,383</u>

The Group normally allows credit terms to its customers within one month. Ageing analysis of trade receivables, based on invoice date, was as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>111,128</b>	124,373
1 year to 2 years	<b>24,580</b>	32,596
Over 2 years	<b>5,011</b>	36,379
	<b><u>140,719</u></b>	<u>193,348</u>

#### **10 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO RELATED PARTIES**

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>1,203,236</b>	1,091,566
Other payables and accruals	<b>45,633</b>	43,954
	<b><u>1,248,869</u></b>	<u>1,135,520</u>
Amounts due to related parties	<b>7</b>	11,485
	<b><u>1,248,876</u></b>	<u>1,147,005</u>

The ageing analysis of the trade payables based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>571,640</b>	648,196
1 year to 2 years	<b>278,790</b>	337,764
Over 2 years	<b>352,806</b>	105,606
	<b><u>1,203,236</u></b>	<u>1,091,566</u>

## 11 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current portion — unsecured	26,295	—
Current portion of non-current bank borrowings	<u>2,989</u>	<u>—</u>
Total bank borrowings	<u><u>29,284</u></u>	<u><u>—</u></u>

At 31 December 2023, the Group's borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	2,989	—
Between 1 and 2 years	2,949	—
Between 2 and 5 years	8,847	—
Over 5 years	<u>14,499</u>	<u>—</u>
	<u><u>29,284</u></u>	<u><u>—</u></u>

## 12 COMMITMENTS

The Group did not have any significant capital commitments or operating lease commitments as at 31 December 2023 and 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

We are a growing private general contracting construction enterprise in the PRC and have been granted five first-grade construction contracting qualifications, including (i) the first-grade qualification in building construction general contracting (建築工程施工總承包一級); (ii) the first-grade qualification in municipal and public construction general construction (市政公用工程施工總承包一級); (iii) the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級); (iv) the first-grade qualification in building electrical and mechanical installation and engineering specialised contracting (建築機電安裝工程專業承包一級); and (v) the first-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包一級). We also attain six other second-grade and third-grade construction contracting qualifications covering different specialisations such as petrochemical engineering construction, steel structure construction and environmental protection construction. We were the recipient of the award named “Top 500 Enterprises in Shenzhen” (深圳500強企業) in 2020, 2021, 2022 and 2023.

We provide our customers with professional and comprehensive construction services as a general coordinator or subcontractor, responsible for the overall coordination and management of a construction project, which cover workplan formulation, labour recruitment, leasing of equipment and machinery, procurement of construction raw materials and quality and construction progress control. The Group primarily engages in the provision of construction services comprising (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group recorded an increase in revenue by approximately RMB152.8 million or 11.1% from approximately RMB1,378.1 million for the year ended 31 December 2022 to approximately RMB1,530.9 million for the year ended 31 December 2023. Due to the resurgence of COVID-19 in certain areas of the PRC in or around March 2022, temporary measures restricting certain business operation and activities were imposed in the affected areas from time to time, including Shenzhen where some of the construction projects were located, resulting in a lower revenue during the first half of 2022. Since then, the Group’s operation has gradually resumed to normal and therefore generated a higher revenue in 2023 as compared to that in 2022.

The following table sets forth the breakdown of our revenue by project type for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
<b>Construction projects</b>				
Construction engineering projects	985,492	64.4	763,321	55.4
Municipal and public construction projects	343,554	22.4	403,793	29.3
Foundation engineering projects	106,132	6.9	53,597	3.9
Specialised contracting projects	<u>95,741</u>	<u>6.3</u>	<u>157,344</u>	<u>11.4</u>
<b>Total</b>	<b><u>1,530,919</u></b>	<b><u>100.0</u></b>	<b><u>1,378,055</u></b>	<b><u>100.0</u></b>

### *Construction engineering projects*

Construction engineering projects primarily consist of structural and/or engineering works for commercial and residential buildings and community facilities. Revenue generated from construction engineering projects increased by approximately RMB222.2 million or 29.1% from approximately RMB763.3 million for the year ended 31 December 2022 to approximately RMB985.5 million for the year ended 31 December 2023. Our number of revenue generating construction engineering projects increased from 33 projects for the year ended 31 December 2022 to 61 projects for the year ended 31 December 2023.

### *Municipal and public construction projects*

Municipal and public construction projects primarily consist of urban and rural public infrastructure construction, including environment improvement works, construction of sewage treatment infrastructure and roadwork. Revenue generated from municipal and public construction projects decreased by approximately RMB60.2 million or 14.9% from approximately RMB403.8 million for the year ended 31 December 2022 to approximately RMB343.6 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in revenue recognised from certain projects which were completed in July 2022 and April 2023, respectively.

### *Foundation engineering projects*

Foundation engineering projects primarily consist of earthwork and foundation construction and slope protection work. Revenue generated from foundation engineering projects increased by approximately RMB52.5 million or 98.0% from approximately RMB53.6 million for the year ended 31 December 2022 to approximately RMB106.1 million for the year ended 31 December 2023. Our number of revenue generating foundation engineering projects increased from 9 projects for the year ended 31 December 2022 to 17 projects for the year ended 31 December 2023.

### *Specialised contracting projects*

Specialised contracting projects primarily consist of building renovation and decoration works services. Revenue generated from specialised contracting projects decreased by approximately RMB61.6 million or 39.2% from approximately RMB157.3 million for the year ended 31 December 2022 to approximately RMB95.7 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in revenue from certain projects which were approaching the later stage of development or completed in March 2023.

### **Cost of revenue**

The following table sets forth the breakdown of our cost of revenue by nature for the years ended 31 December 2023 and 2022:

	<b>Year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Raw material costs	<b>638,525</b>	<b>44.3</b>	616,065	47.4
Labour subcontracting costs	<b>493,209</b>	<b>34.2</b>	409,869	31.6
Specialised construction subcontracting costs	<b>176,392</b>	<b>12.2</b>	167,627	12.9
Equipment and machinery usage costs	<b>120,059</b>	<b>8.3</b>	91,541	7.0
Other project costs	<b>13,588</b>	<b>1.0</b>	14,028	1.1
<b>Total cost of revenue</b>	<b><u>1,441,773</u></b>	<b><u>100.0</u></b>	<b><u>1,299,130</u></b>	<b><u>100.0</u></b>

Cost of revenue primarily comprised (i) raw material costs, which represented costs of raw materials used primarily in our construction projects; (ii) labour subcontracting costs, which represented fees paid to subcontractors to provide labour services; (iii) specialised construction subcontracting costs, which represented fees paid to subcontractors to provide certain specialised construction services, usually included costs of equipment and raw materials used in their subcontracted work; and (iv) equipment and machinery usage costs, which represented the costs incurred for leasing equipment and machinery for our construction projects. Each of these costs may vary from project to project depending on various factors, including but not limited to, the scope and complexity of works, the method and sequence of construction, the stages of construction and necessary equipment and machinery.

The increase in cost of revenue of approximately RMB142.6 million or 11.0% for the year ended 31 December 2023 as compared to the year ended 31 December 2022 was primarily due to the increase in demand for raw materials, increase in equipment and machinery usage costs and increase in amount of works outsourced to subcontractors as a result of the commencement of several large-scale projects in 2023 and the recovery from the negative impact of COVID-19, which have been progressively building up.

## Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by project type for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Construction projects</b>				
Construction engineering projects	60,826	6.2	46,267	6.1
Municipal and public construction projects	17,728	5.2	21,560	5.3
Foundation engineering projects	6,260	5.9	2,900	5.4
Specialised contracting projects	<u>4,332</u>	4.5	<u>8,198</u>	5.2
<b>Total</b>	<u><u>89,146</u></u>	5.8	<u><u>78,925</u></u>	5.7

Gross profit margin of construction engineering projects and municipal and public construction projects remained relatively stable for the years ended 31 December 2023 and 2022.

Gross profit margin of foundation engineering projects grew from approximately 5.4% for the year ended 31 December 2022 to approximately 5.9% for the year ended 31 December 2023. Such growth was primarily attributable to certain projects with relatively higher profit margin due to the larger scale construction site in which we could carry out various construction processes simultaneously, improving construction efficiency and reducing costs.

Gross profit margin of specialised contracting projects generally depends on various factors such as the nature, complexity and duration of the projects concerned.

## Administrative expenses

Administrative expenses primarily consists of staff costs, depreciation and amortisation and listing expenses.

The increase in administrative expenses of approximately RMB2.1 million or 5.5% for the year ended 31 December 2023 was mainly attributable to the increase listing expenses and audit and professional fees.

## **Finance costs**

Finance costs primarily consist of interest expenses on factoring, bank borrowing and lease liabilities. The increase in finance costs for the year ended 31 December 2023 was mainly attributable to the increase in interest expense on factoring.

## **Income tax expense**

Income tax expense primarily consist of corporate income tax and movements in deferred income tax assets. The increase is in line with the increase in taxable profit from the Group's operation in the PRC.

## **Profit and total comprehensive income for the year**

As a result of the foregoing, we recorded profit for the year of approximately RMB31.8 million for the year ended 31 December 2023, increased by approximately 25.6% from approximately RMB25.3 million for the year ended 31 December 2022 which was mainly attributable to the increase in revenue and gross profit for reasons mentioned in the paragraphs above, partially offset by the increase in administrative expenses and interest expense on factoring during the year.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash flows**

As at 31 December 2023 and 2022, we had cash and cash equivalents of approximately RMB147.1 million and RMB112.1 million, respectively. Our primary uses of cash were mainly for financing our daily operations and working capital requirements in relation to the execution of our projects, including payment for procurement of raw materials and subcontracting costs.

### **Bank borrowings**

The bank borrowings as at 31 December 2023 represented term loans of approximately RMB29.3 million (2022: nil). Such term loans are dominated in RMB and bear interest at floating rates.

### **Gearing ratio**

Gearing ratio is calculated as total borrowings (i.e. bank borrowings) divided by the total equity as at the respective reporting dates. The gearing ratio was approximately 7.9% as at 31 December 2023.

The gearing ratio was nil as at 31 December 2022 as there was no outstanding bank borrowings as at 31 December 2022.

### **Net debt to equity ratio**

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

The net debt to equity ratio was not applicable as at 31 December 2023 and 2022 as the Group had net cash position as at both dates.

### **Treasury management**

The Group has a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business. The management of the Group closely reviews trade receivables balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Group closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

### **Capital expenditures and commitments**

The Group incurred capital expenditures of approximately RMB42.0 million for the year ended 31 December 2023 (2022: RMB0.5 million).

The Group had no significant capital commitments or operating lease commitments as at 31 December 2023 (2022: nil).

## **HUMAN RESOURCES**

The Directors considered that the Group have maintained good relationships with its employees, and has not experienced any significant problems with employees or any disruptions to operations due to labour disputes, nor has experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the year ended 31 December 2023.

As at 31 December 2023, the Group has 225 employees in total, all of them are located in the PRC. The Group recruit employees from the open market by placing recruitment advertisements and offering competitive remuneration packages. Training courses are provided for our staff to ensure their competence and to keep them abreast of the latest developments and best practices in the industry to enhance their work performance. For the year ended 31 December 2023, total staff costs were approximately RMB20.5 million (2022: RMB22.2 million).

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees in the PRC pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

## **FUTURE PLANS AND PROSPECT**

According to the "14th Five-Year Plan (2021–2025) for National Economic and Social Development" 《(國民經濟和社會發展「十四五規劃」(2021–2025))》, it has proposed to speed up the construction of infrastructure in the PRC covering sectors such as transportation, water conservancy and energy facilities, to further improve national basic public services level. Moreover, the provincial government of Guangdong Province has also released a corresponding five-year plan to promote the construction industry, where efforts will be made to strengthen the development of infrastructure and other

construction sectors. It is anticipated that the demand for construction services will continue to grow with favourable policies announcement by the PRC government. The total output value of construction market in Guangdong Province has achieved double-digit growth at a CAGR of approximately 13.4% from 2018 to 2022, reaching approximately RMB2,295.7 billion in 2022 and is expected to further grow at a CAGR of approximately 8.3%, reaching approximately RMB3,426.1 billion by 2027. In view of the above, the Group will bestow its extensive experience and knowledge in construction services to solidify and broaden its construction service offerings and enhance its market presence to capture more opportunities in the PRC and in particular in the Guangdong Province.

## **USE OF PROCEEDS**

The Company's shares ("**Shares**") were listed on the Main Board of the Stock Exchange on 9 January 2024 and the net proceeds (after deducting related underwriting commissions and listing expenses) were received after 31 December 2023. Hence, the implementation plans as stated in the sections headed "Business — Business strategies" and "Future plans and use of proceeds" in the prospectus of the Company dated 28 December 2023 (the "**Prospectus**") had not yet commenced during the year ended 31 December 2023. The Company intends to apply net proceeds in the manner as described under the section headed "Future plans and use of proceeds" in the Prospectus.

## **EVENT AFTER THE YEAR END DATE**

Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, conditional on the listing, an aggregate of 385,100,000 ordinary shares of HKD0.01 par value each was allotted to the shareholders whose names appear on the register of members of the Company as at the date of these resolutions. The capitalisation issue was completed on 9 January 2024.

On 9 January 2024, the Company successfully listed its shares on the Main Board of the Stock Exchange and issued 128,700,000 Shares by way of share offer at a price of HKD1.00 per offer share. Total gross proceeds from the share offer amounted to approximately HKD128.7 million.

Save as disclosed in this announcement, there were no other material subsequent events took place after 31 December 2023 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the "**2024 AGM**") will be held on Wednesday, 29 May 2024 in Hong Kong. The notice of AGM will be published and despatched to the Company's shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, 24 May 2024 to Wednesday, 29 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Thursday, 23 May 2024.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There were no listed securities of the Company for the year ended 31 December 2023. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

The Company had complied with the code provisions in the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") since the Listing Date.

## **INTERESTS OF THE COMPLIANCE ADVISER**

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Kingsway Capital Limited as its compliance adviser (the "**Compliance Adviser**"). Except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company.

## **AUDIT COMMITTEE**

The primary duties of the audit committee of the Board are to review and supervise the Group's financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditor on the audit strategy. The audit committee of the Board has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 December 2023 and above annual results.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers in this preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

On behalf of the Board  
**Zhongshen Jianye Holding Limited**  
**Sang Xianfeng**  
*Chairman and Executive Director*

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises Mr. Sang Xianfeng and Mr. Xian Yurong as executive Directors; and Ms. Liu Zhihong, Mr. Zeng Qingli and Mr. Xie Huagang as independent non-executive Directors.*